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DOD EDUCATION BENEFITS

Further Actions Needed to Improve Oversight of Tuition Assistance Program

Statement of George A. Scott, Director
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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Department of Defense's (DOD) oversight of its Military Tuition Assistance (TA) Program. In fiscal year 2010, the TA Program provided \$531 million in tuition assistance to approximately 302,000 service members who elected to pursue off-duty¹ postsecondary education.² DOD offers these benefits to service members in order to help them fulfill their academic goals and enhance their professional development. Program oversight for voluntary education programs is the responsibility of the Undersecretary of Defense for Personnel and Readiness.³ In addition, the military services are responsible for establishing, maintaining, operating, and implementing the programs at 350 education centers on military installations worldwide.⁴ Education centers are managed by an education services officer (ESO) and staff, such as education guidance counselors.

Today I will discuss (1) DOD's oversight of schools receiving TA funds and (2) the extent to which DOD coordinates with accrediting agencies and the Department of Education (Education) in its oversight activities. This testimony is based on GAO's recent report, titled *DOD Education Benefits: Increased Oversight of Tuition Assistance Program Is Needed*.⁵ Our report and testimony are based on work we performed between August 2010 and February 2011. Our work was performed in accordance with generally accepted government auditing standards.

In summary, DOD is taking steps to enhance its oversight of schools receiving TA funds. However, we found that areas for improvements

¹DOD defines "off-duty time" as the time when service members are not scheduled to perform official duties.

²TA funds may be used for educational activities such as (1) completion of an associate's degree, bachelor's degree, or master's degree; (2) for courses leading to technical, vocational, or professional certificate or license; (3) building academic foreign language skills when not part of a degree program; and (4) to pursue prerequisite courses for academic skill development or preparation for a degree program, according to the Joint Service Uniform Tuition Assistance Policy.

³DOD Directive 1322.08E (May 3, 2010) and DOD Instruction 1322.25 (April 23, 2007).

⁴Education centers located on military installations are equipped with office space, classrooms, laboratories, and other features to conduct voluntary education programs and provide on-installation classes.

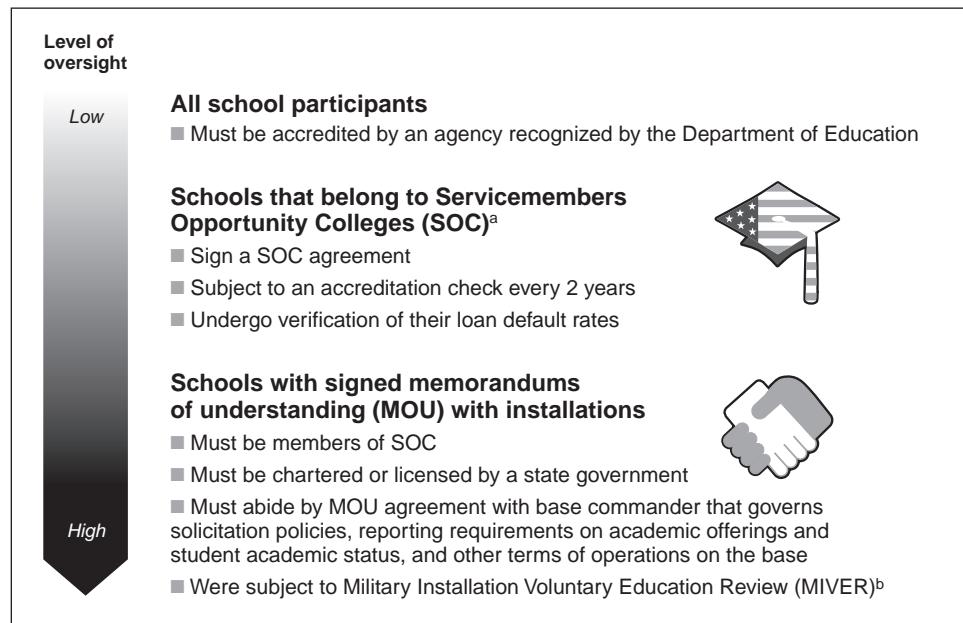
⁵GAO-11-300 (Washington, D.C.: Mar. 1, 2011).

remain. Specifically, DOD could benefit from a systematic, risk-based oversight approach, increased accountability in its education quality review process, and a centralized system to track complaints. We also found that DOD's limited coordination with accrediting agencies and Education may hinder its oversight efforts. We make several recommendations to DOD that are intended to improve its oversight of schools receiving TA funds. DOD agreed with our recommendations.

DOD's Oversight Could Benefit from a Systematic, Risk-based Approach, Increased Accountability in its Education Quality Review Process, and a Centralized System to Track Complaints

DOD does not systematically target its oversight efforts based on factors that may indicate a higher risk for problems. Instead, DOD's oversight policies and procedures vary by schools' level of program involvement and schools that operate on base are subject to the highest level of oversight, as shown in figure 1.

Figure 1: DOD Participation Requirements by School Level of Program Involvement



Source: GAO analysis of program policies and testimonial evidence from DOD and SOC officials.

^aSOC is funded by DOD through a contract with the American Association of State Colleges and Universities. SOC functions in cooperation with 15 higher education associations, DOD, and active and reserve components of the military services to expand and improve voluntary postsecondary education opportunities for service members worldwide.

^bMIVER had two purposes: (1) to assess the quality of selected on-installation voluntary education programs and (2) to assist in the improvement of such education through appropriate recommendations to institutions, installations, DOD, and the military services. DOD contracted with the American Council on Education (ACE) to administer the MIVER.

DOD is taking steps to address the varying levels of oversight and create a more uniform set of oversight policies. DOD recently published a proposed rule for its voluntary education programs in the *Federal Register* for public comment.⁶ Included in this rule, among other things, are guidelines for establishing, maintaining, and operating voluntary education programs, including instructor-led courses offered on and off installations, distance education courses,⁷ and the establishment of a DOD Voluntary Education Partnership memorandum of understanding (MOU) between DOD and all educational institutions receiving TA funds. DOD estimates that this new rule will become effective at the beginning of 2012.

While DOD is creating more uniform oversight policies, its oversight activities still lack a risk-based approach. While DOD monitors enrollment patterns and schools' funding levels, and addresses complaints about postsecondary schools on a case-by-case basis, its oversight activities do not include a systematic risk-based approach that considers these factors when targeting schools for review.⁸ Collectively, this information could provide DOD with data that can be used to better target schools for review or inform other oversight decisions.

Until recently, DOD depended on an education quality review process that was narrow in scope and needed increased accountability. From 1991 to 2010, DOD relied on the Military Installation Voluntary Education Review (MIVER) to ensure quality education services for its service members.⁹ MIVER was limited to institutions that offered face-to-face courses at

⁶Voluntary Education Programs, 75 Fed. Reg. 47,504 (Aug. 6, 2010) (to be codified at 32 C.F.R. pt. 68).

⁷DOD defines "distance education" as the delivery of education or training through electronically mediated instruction, including satellite, video, audio graphic, computer, multimedia technology, and other forms of learning at a distance, such as correspondence and independent study.

⁸According to the following report, GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C. November 1999), to better achieve their missions and improve accountability, federal agencies are required to employ certain internal controls, including assessing the risk agencies face from both external and internal sources. Applying the federal risk assessment standard to the TA Program suggests that DOD needs to consider all significant interactions between its entity and other parties, as well as internal factors at both the entitywide and activity level. Risk identification methods may include qualitative and quantitative ranking activities, and consideration of findings from audits and other assessments.

⁹The most recent MIVER contract was a 4-year contract (January 1, 2007, to December 31, 2010) with a total value of \$3,743,440.

military installations and did not account for distance learning courses paid for with TA funds. In fiscal year 2009, about \$360 million of TA funds paid for distance learning courses (71 percent of courses taken by service members). Moreover, three of the four military services lacked a process to follow up on and respond to MIVER findings. During the MIVER review process, reviewers developed a report listing their recommendations, commendations, and observations of the educational services provided by the installation and the institutions offering courses at that installation. MIVER final reports were distributed to the institutions and installations that were reviewed as well as DOD officials and its military services. The Army was the only military service that required installations that received a site visit to submit a follow-up report indicating actions taken in response to the MIVER reviews. One DOD official reported that MIVER reports were helpful in identifying the strengths, weaknesses, and areas for improvement in DOD educational programming, and ESO's told us that some recommendations were implemented with successful results.¹⁰ Given that there was no DOD-wide requirement to track the outcomes of MIVER recommendations and some of the military services did not require schools and installations to formally respond to MIVER findings, it is unclear the extent to which recommendations that could improve the quality of education services offered at schools and installations were addressed.

DOD is developing an expanded review process to strengthen its oversight of postsecondary institutions. Under this new review process, Military Voluntary Education Review (MVER), all institutions receiving TA funds, regardless of whether the school delivers courses face to face or by distance education, will be subject to a review. The contract for MIVER ended in 2010, and DOD is currently in the process of obtaining a contractor for its new review process. According to DOD, a contractor will be selected in 2011 and the new third-party review process will commence on October 1, 2011.

While DOD has several mechanisms for service members to report problems associated with their TA funding, it lacks a centralized system to track complaints and how they are resolved. If service members have a

¹⁰The military services also had the option to request a MIVER revisit. During a revisit, a MIVER team would return to the installation to determine the extent to which the recommendations had been implemented. The revisits usually occurred in cases where the original MIVER visit resulted in many negative findings and commensurate recommendations.

complaint or issue regarding a school, they can speak with a counselor at their installation's education center, contact a representative from SOC, use the call center service,¹¹ or use the Interactive Customer Evaluation (ICE)—DOD's online system to collect customer feedback.¹² DOD reported that most of the complaints it receives are administrative in nature, such as billing issues. However, a few complaints involve schools' improper or questionable marketing practices, such as school representatives conducting marketing activities at installations without the installation commander's or ESO's permission. According to DOD officials, DOD's practice is to have education center staff resolve complaints at the installation level and to only elevate issues that warrant greater attention to the military service level. However, DOD and its military services do not have a formal process or guidance in place to assist education center staff in determining when they should elevate a complaint to their military service chief or DOD. Without policies and a centralized system to track complaints and their outcomes, DOD may not have adequate information to assess trends across its military services or determine whether complaints have been adequately addressed.

DOD's Limited Use of Information from Accreditors and Education May Hinder Its Efforts

DOD's oversight process does not take into account accrediting agencies' monitoring results of schools. Schools can be sanctioned by accrediting agencies when they fail to meet established accrediting standards, such as providing sound institutional governance, accurate information to the public, and offering effective educational programs. For example, on the basis of an accrediting agency's monitoring results that were publicly available, a school was warned it could be at risk of losing its accreditation in part because it lacked evidence of a sustainable assessment process to evaluate student learning. The school was required to submit a report to the accrediting agency providing evidence of its process and that the results were being used to improve teaching, learning, and institutional effectiveness. According to accrediting agency officials,

¹¹The military services established call centers to handle issues such as complaints related to the TA Program, according to DOD officials.

¹²ICE is an online portal operated by DOD to collect feedback on DOD products and services, including educational programming.

schools are given multiple opportunities to correct deficiencies before having accreditation revoked and can be sanctioned for up to 2 years.¹³

DOD also does not use accrediting agency information about schools' substantive changes in its oversight efforts. DOD does not currently require schools to have their substantive changes approved by their accrediting agency in order to receive TA funds. Schools may introduce new courses or programs significantly different from current offerings, and such changes may be considered substantive and outside the scope of an institution's accreditation. Unlike DOD, Education requires a school to obtain its accrediting agency's approval on any substantive change and report this information to Education for approval before it can disburse federal student aid under the Title IV programs¹⁴ to students enrolled in new courses or programs considered to be substantive changes.¹⁵ DOD recently proposed that tuition assistance funds should be available for service members participating in accredited undergraduate or graduate education programs and that approved courses are those that are part of an identified course of study leading to a postsecondary certificate or degree.¹⁶ According to Education, schools seeking Title IV funds generally wait for approval before enrolling students in such new courses and programs, but can collect other federal education assistance and out-of-pocket funds during that time. Students enrolled in unapproved courses or

¹³Accrediting agencies may also be challenged in their decisions to revoke a school's accreditation, and legal proceedings may take a number of years to be finalized.

¹⁴Title IV of the Higher Education Act of 1965 (HEA), as amended, authorizes financial assistance to help students and families pay for postsecondary education through student grants and loans, such as Pell Grants for low-income students, PLUS loans to parents and graduate students, and Stafford loans.

¹⁵Education requires accrediting agencies to have substantive change policies in place to ensure that any substantive change to an institution's educational mission or programs does not adversely affect its capacity to continue to meet its accrediting agency's standards. In order to be recognized by Education, accrediting agencies must require an institution to obtain the agency's approval of a substantive change, and have a definition of substantive change, which includes such changes as any change in the established mission or objectives of the institution; any change in the legal status, form of control, or ownership of the institution; the addition of courses or programs that represent a significant departure from the existing offerings of educational programs; or method of delivery; from those that were offered when the agency last evaluated the institution, or the addition of programs of study at a degree or credential level different from that which is included in the institution's current accreditation or pre-accreditation.

¹⁶Voluntary Education Programs, 75 Fed. Reg. 47,508 (Aug. 6, 2010) (to be codified at 32 C.F.R. pt. 68).

programs have less assurance that they are receiving a quality education, according to Education officials. On the basis of Education's fiscal year 2009 Program Compliance Annual Report, we determined that there were over 1,200 substantial changes processed in fiscal year 2009.

DOD does not utilize information from Education's monitoring reviews to inform its oversight efforts. This information can alert DOD to problems at schools that may affect the quality of education provided to students, including service members. Education determines schools' initial eligibility to participate in federal student aid programs through eligibility reviews and continuing eligibility through program reviews, compliance audits, and financial audits. The results of these oversight activities provide additional insight into a school's financial stability, quality of education, and compliance with regulations that provide consumer protections for students and the federal investment. See table 1 for a summary of Education's oversight activities.

Table 1: Education's Monitoring of Schools Participating in the Title IV Program

Focus of oversight	Types of school monitored	Activity
Financial health ^a	Private nonprofit and for-profit	Financial responsibility: Education determines schools' financial responsibility by assessing its cash reserves and the school's history of meeting its past financial obligations. In 2008 and 2009, at least 249 schools failed the financial stability test, and Education placed some of these schools on heightened monitoring.
Related to quality of education	All schools For-profit only	Student loan cohort default rate: According to Education officials, Education uses student loan cohort default rates implicitly as a proxy for education quality. A large number of students in default may indicate that a school may be poorly preparing students for employment. Schools with default rates above certain thresholds lose eligibility to participate in Title IV programs. 90/10 rule: In order to participate in Title IV programs, for-profit schools cannot receive more than 90 percent of their revenue from Title IV funds. ^b Between 2003 and 2008, 7 schools lost eligibility for federal student aid because of noncompliance with the 90/10 rule.

Focus of oversight	Types of school monitored	Activity
Consumer protection related to schools' recruiting practices	All schools	Incentive compensation: Schools participating in Title IV programs are prohibited from compensating recruiters based directly or indirectly on their success in enrolling students or securing financial aid for them. Between 1998 and 2009, Education substantiated incentive compensation violations at 32 schools. ^c
	All schools	Misrepresentation: Institutions participating in Title IV programs may not engage in substantial misrepresentation of the nature of the institution's educational program, its financial charges, or the employability of its graduates. According to Education's compliance data, Education found at least 16 misrepresentation violations between 2004 and 2009 through compliance audits and closed program reviews.

Source: GAO analysis of laws and regulations, as well as testimonial evidence and program documents from Education.

^aEducation considers a public institution financially responsible if it demonstrates legal designation as a public institution and has not violated past performance requirements.

^bDOD tuition assistance funds are counted toward meeting a proprietary institution's minimum of 10 percent non-Title IV funds. A school's revenue percentage must be calculated in accordance with 34 C.F.R § 668.28.

^cGAO, *Higher Education: Information on Incentive Compensation Violations Substantiated by the U.S. Department of Education*, GAO-10-370R (Washington, D.C. Feb. 23, 2010)

The results of Education's monitoring activities can provide DOD and its military services with additional insight into a school's ability to provide a quality education and services to students. Schools that are financially unstable or fail to comply with student loan default rate and 90/10 requirements may be unable to fulfill their promises to provide students with quality program offerings, according to Education. Military education center staff we spoke with at two military installations indicated that ensuring the consumer protection of service members amidst sometimes deceptive recruiting practices of some schools can be a challenge. Education's monitoring results in these areas could provide relevant information to help DOD and its Military Services to better target their oversight and provide additional consumer protection for service members.

DOD may also be able to leverage information from Education's ongoing efforts to improve oversight of distance education. Education has recently developed additional provisions to better address distance education. For example, Education has developed a review process and guidance for its staff to assess the integrity of distance learning programs, such as whether schools have a process to verify student attendance. DOD has proposed

that distance education schools be subject to MVER reviews by 2012, but currently does not generally evaluate these courses.¹⁷

Conclusions

In fiscal year 2010, nearly 302,000 service members relied on TA funds to help further their academic and professional goals. The amount of TA funding going toward distance learning programs creates new oversight challenges for DOD and its military services, especially since DOD oversight has primarily focused on schools offering traditional classroom instruction on military installations.

Although DOD is taking steps to improve its oversight of schools receiving TA funds, increased oversight is still needed to remedy gaps in the accountability of its third-party quality review process and the process to address complaints against schools. Additionally, DOD could further enhance its oversight efforts by leveraging information from accrediting agencies and the results of oversight actions by the Department of Education. We are recommending that DOD take a number of actions to improve its oversight of schools, including (1) improving accountability for recommendations made by third-party education quality reviews, (2) developing a centralized process to track complaints against schools, (3) conducting a systemic review of its oversight processes, and (4) taking actions to ensure TA funds are used only for accreditor approved courses and programs. Measures like these could strengthen DOD's oversight activities and help ensure that TA funds are used properly and help enable service members to receive a quality education. DOD concurred with our recommendations.

¹⁷A school on a military installation selected for a MIVER review were subject to questions MIVER developed for distance education providers, such as how to verify the identity of students enrolled in online courses.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions that you or other members of the subcommittee may have.

For further information regarding this testimony, please contact George A. Scott, (202) 512-7215 or ScottG@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this testimony include Tranchau (Kris) Nguyen (Assistant Director), Raun Lazier (Analyst-in-Charge), James Bennett, Jessica Botsford, Susannah Compton, Catherine Hurley, Edward (Ted) Leslie, Katya Melkote, and Luann Moy.

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